

Vermont State Teachers' Retirement System

Volume 5, Issue 1

MARCH 2005

DIRECTOR'S CORNER

I am excited to report that our office will be undergoing significant changes over the next few years. The Retirement Division of the State Treasurer's Office is at the beginning of a multi-year project to improve office efficiency and effectiveness by replacing our existing computer system with a new, state of the art Line of Business (LOB).

There are multiple reasons for the upcoming changes. The most important is the fact that our current system was built in the mid-seventies, and with some minor updates has served us very, very well for almost thirty years. However, it is getting tired, and can no longer keep up with the daily demands being placed on it. Another primary reason is that our office has a staff of 12 to provide services to over 40,000 active and retired members. We need to build a system that can automate most of the processes we now do manually in order to be prepared to serve the wave of "baby-boomers" that are fast approaching retirement. Last, but certainly not least, is our goal of moving beyond

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Turning 65? Health Insurance Impact & Procedure

Medicare is federal health insurance for people age 65 and older, certain people with disabilities who are under 65, and people of any age who have permanent kidney failure or Lou Gehrig's disease. It provides basic protection for the cost of health care but it doesn't cover all your medical expenses.

Medicare is divided into two parts: Part A and Part B. Medicare Part A helps pay for care in a hospital, skilled nursing facility, home health, and hospice care. There are no premiums to pay if you are eligible for Part A. Medicare Part B does have a premium and helps pay for doctors, outpatient hospital care, lab and x-ray services, durable medical equipment, ambulance services, home health care, blood, and medical supplies. Premiums for Medicare Part B are currently

\$78.20 per month.

Once you turn 65, or become eligible due to disability, Medicare becomes your primary insurance carrier, when available. Blue Cross/Blue Shield requires a copy of your Medicare card showing that you have both Part A and B. Therefore you must apply for both Part A and B. Your Medicare coverage is effective the first day of the month in which you turn 65. We encourage you to contact the Social Security Office (800-772-1213) as early as three months in advance of your 65th birthday to initiate the Medicare application process.

Health insurance coverage differs depending on whether or not you are eligible for Medicare. If you are over 65, Medicare acts as the primary payer, when available. If you have two-person coverage, and the retiree becomes



Medicare-eligible first, he or she will need to enroll in the Medicare carve-out supplement associated with his or her current health plan; then the dependent can remain on the existing plan. However, be advised that the Vermont Health Partnership does not offer a supplemental policy for those individuals 65 and older; therefore, a retiree turning 65 on this plan must choose one of the alternative supplement plans outlined below. If a retiree's dependent becomes Medicare-eligible first, the dependent must convert to a Medicare supplement plan and the retiree (as long as they are under 65) can re-

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STRAIGHT FROM THE BOOK

MILITARY, LEGISLATIVE, OR JURY DUTY LEAVE CREDIT

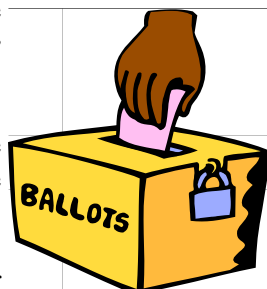
If a member is required to take a leave of absence from his or her present employer to serve in the military, the individual is entitled to credit in the retirement system for that period of leave. If a member takes a leave of absence to serve in the Legislature or on jury duty, or due to workers' compensation injury, he or she is entitled to credit in the retirement system as well. Employers are notified that they must report such leaves to the system, but it is the responsibility of the employee to be sure that the proper credit is made. For example, if a member takes two weeks of leave without pay for

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2005 TEACHERS' BOARD ELECTION 2005

An election for Teacher Representative on the Board of Trustees will be held this spring. The term for Trustee Joe Mackey will expire on June 30, 2005. All active members (*members who are currently making contributions to the Teachers' Retirement System*) are eligible to run for this seat and vote in this election.

If you are an active member and would like to be a candidate for the Trustee position, you must submit your letter of interest to Cynthia Webster at the Retirement Office no later than May 6, 2005. To be considered a nominee, you must also include a brief biog-



raphy that describes your qualifications and reasons why you wish to serve as a Trustee, along with the signatures of at least twenty-five (25) teachers who are also active members of the retirement system.

Trustees are responsible for investment of the retirement funds and operation of the retirement system. They serve a four-year term and may run for re-election at the end of their term. (Mr. Mackey will be running for re-election.) Trustees are expected to attend quarterly investment meetings and other required business meetings as deter-

mined by the Board of Trustees.

If only one person is officially nominated for the Trustee position, no election will be held. In this case, the Board of Trustees will simply appoint the nominee to the vacant position.

If you would like more information on nominations or election procedures, please contact the Teachers' Retirement System at 1-800-642-3191 (toll-free within VT) or 802-828-2305.

Be sure to watch your mail for an election ballot or a future edition of this newsletter for official notices.

Director's Corner (continued from page 1)

the existing level of services to provide full access to personal retirement account information for members and retirees through our website and other appropriate means.

This project has multiple stages. The first stage was to conduct a high-level management review of our workflow and processes. This management review was completed last Spring, and we are in the process of implementing many of the recommendations from the study. Once the study was completed, we hired a Project Manager whose sole responsibility is to oversee the remaining stages of the project.

The second phase is to electronically image all of our paper files. Our office currently maintains a paper file for each and every active and retired member. We have estimated we have approximately 1.8 million pieces of paper in our office. Electronically imaging all of our paper files to allow a member's record to be viewed on our computer screens will not only save a significant amount of time, but will also be much more secure in the event of a fire or other type of disaster. A Request for Proposal (RFP) was recently posted on the web for a vendor to do our backfile conversion (imaging all paper files). We expect to contract with a vendor to complete the backfile conversion by the end of the Summer.

The final phase is the most significant – replacing our computer system. It is both exciting and scary. What an exciting opportunity for our staff to work together to build a new system that will address so many of our needs and assist us in better serving our members. It is also scary because it is such a monumental task and it is absolutely critical to “get it right.” Towards that end, we have hired an outstanding consultant team to assist us in completing our needs assessment study, draft the RFP for the new Line of Business (LOB), select a vendor for the LOB and negotiate the contract. The consultant team we hired has assisted in many similar system upgrades throughout the country and brings a level of expertise and knowledge to the table that far exceeds our expectations. We hope to have the RFP for the LOB distributed before the middle of the summer. We fully expect once a LOB vendor is selected, building and implementing the new system will take between two and three years.

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STRAIGHT FROM THE BOOK (continued from page 1)

military duty, the service credit that the member receives for that fiscal year may be reduced because of the off-payroll status unless the Retirement Office has received proper notification. The annual statement should always be thoroughly reviewed, and if there appears to be a discrepancy or question about the service credit, the Retirement Office should be contacted immediately.

APPROVED LEAVE OF ABSENCE

After July 1, 1991, if you take an approved leave of absence for purposes other than for professional study, service credit shall be restored upon payment of the contributions that you would have made into the system had you been employed during your absence.

If you have questions or require more information, please contact the Retirement Office at any time.

FY 2004 ACTUARIAL DATA

On October 25, 2004, the system's actuary, David Driscoll of Mellon Consultants, provided the Board of Trustees with a report of the FY'04 actuarial data.

Among other interesting facts about your retirement system, you might like to know there are 10,315 active members at the

average age of 45.92 years, with an average 12.75 years of service in the system. Retired members total 4,386, of which 119 are disability and 264 are beneficiaries of deceased members.

To view the entire report, please visit the Treasurer's Web site.

TURNING 65?

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main on the existing non-Medicare plan.

The following three Blue Cross/Blue Shield health plans supplement Medicare for retired teachers:

- JY Carve-out Plan
- Comprehensive Carve-out Plan with \$250 Deductible
- Vermont Blue 65 Plan C (formerly called Medi-Comp C)

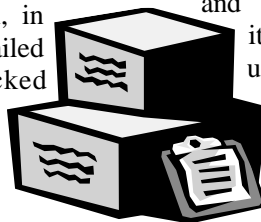
We encourage you to call the Blue Cross/Blue Shield of Vermont's Customer Service Office at (800) 247-2583 if you have any questions regarding Medicare coverage and its relationship to the Blue Cross/Blue Shield plans outlined above.

Please notify the Retirement office if you become Medicare-eligible prior to age 65.

Project Gratitude

The employees and administration of the Vermont State Treasurer's Office are touched by the sacrifices made by Vermont service men and women on our behalf, so we decided to initiate our own "Project Gratitude." In June of 2004, five boxes filled with items including flea collars, foot powder, gum, batteries, and even a couple of water pistols were sent to members of the Vermont National Guard stationed in Iraq. Again, in December 2004, we mailed nine similarly packed boxes, which were planned to arrive in time for Christmas.

This is a small gesture of our appreciation, and it gives our group of 35 co-workers a sense of great pride



and satisfaction knowing these items would bring some pleasure and comfort to our fellow Vermonters, so far away.

Our hope is that these gifts, greeting cards, and notes make someone far away feel a little bit better, and a little closer to home.

Your 1099-R tax Form

In January, the retirement office mailed 1099-R forms to benefit recipients. You will need this form when you file your income tax return. The 1099-R provides information for the 2004 calendar year, including (Box 1) *total gross distributions*, (Box 2A) *total taxable amount*, and (Box 5) *health insurance premiums paid*. Taxes withheld are listed in Boxes 4 and 10. If you have questions, call us.

Retirement Board of Trustees

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* We wish you all a safe, healthy,
*
* and happy spring!!
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If you are planning for a year, sow
rice; if you are planning for a decade,
plant trees; if you are planning for a
lifetime, educate people.
Chinese Proverb

A Message from Joe Mackey, VSTRS Board Chairman

VSTRS pension investments did well in the last fiscal year, earning in excess of 15%. We have also been in the top 15th percentile of large pension funds, in performance, over the past ten years. But, as well as the funds have done, this performance cannot make up for the under-funding of the system by the State.

A new legislative session is beginning; it's time to take an active role in the legislative process by contacting the Governor and your legislators to request that they live up to their financial obligations by fully funding the actuarial request for the VSTRS pension fund.

The VSTRS is a Defined Benefit (DB) system. It's a good system and must be protected from potential "attacks" due to under-funding. If our system had been properly funded over the years it would be a relatively inexpensive system to operate. In the future there will be attacks on this system (just as there are now with social security) by changing the structure and/or trying to shift more of the burden to the shoulders of the members of the system.

We must all remain vigilant in order to protect our retirement fund and the retirement of future teachers.

Joe Mackey

I will continue to keep you updated on this project through newsletter articles and special mailings, if warranted. I welcome your questions and comments. I can be reached by calling our toll-free number: 1-800-642-3191 (within Vermont) or via my direct line: (802) 828-2302. You may also send me an e-mail at cwebster@tre.state.vt.us.

Cynthia L. Webster